the decision of his superior in a case in whch the latter had peculiar means of knowledge as to the danger of accepting a risk. Nor did the respondent improve matters by instructing his solicitors on February 1, 1932, to write a letter containing serious charges against Mr. Mody of giving "improper instructions" to the respondent —charges which there was no attempt whatever to justify at the trial.

Their Lordships recognise that the immediate dismissal of an employee is a strong measure and they have anxiously considered the evidence with a view to determine the question whether the learned trial Judge was right in his finding that the respondent was guilty of gross negligence which, coupled with his conduct at the interview of December 21, was sufficient to justify his dismissal. On the one hand it can only be in exceptional circumstances that an employer is acting properly in summarily dismissing an employee on his committing a single act of negligence; on the other, their Lordships would be very loath to assent to the view that a single outbreak of bad temper accompanied it may be with regrettable language is a sufficient ground for dismissal. The learned Chief Justice was stating a proposition of mere good sense when he observed that in such cases one must apply the standards of men and not of angels and remember that men are apt to show temper when reprimanded. Placing, however, all proper weight on these considerations their Lordships have yet to determine in view of the facts found by the trial Judge, apart of course from the vital finding that the circumstances justified dismissal, whether the misconduct of the respondent was not such as to interfere with and to prejudice the safe and proper conduct of the business of the company and, therefore, to justify immediate dismissal.

It must be remembered that the test to be applied must vary with the nature of the business and the position held by the employee and that decisions in other cases are of little value. We have here to deal with the business of life insurance. A mistake in accepting a risk may lead to a very considerable loss, and repetition of such mistake may lead to disaster. The undertaking is one in which the undertaking of each individual risk is necessarily hazardous: and it is only by unremitting care and prudence that the business can profitably be carried on. If an officer of a life insurance company whatever his motive may be, withholds from his superiors information which will, in all probability, lead them to refuse a risk, and *à fortiori* if it is one of exceptional character and magnitude, it would seem to be very difficult for his superiors to be confident that he will in the future properly carry out the important duties entrusted to him. In other words, if a person in charge of the life assurance department subject to the supervision of superior officers, shows by his conduct or his negligence that he can no longer command their confidence, and if when an explanation is called for he refuses apology or amendment, it seems to their Lordships that his immediate dismissal is justifiable.

Some at least of the above considerations seem not to have been present to the minds of the learned Judges on the appeal to the High Court. In particular their Lordships cannot agree that the respondent was guilty of a mere error of judgment. They are satisfied from the evidence given at the trial that the respondent recommended the issue of the endowment policy, well knowing that the managing governor would have rejected it, and in the hope or the expectation that Mr. Iyer would not remember the facts as to the re-insurance proposal. They take a serious view as to the interview of December 21, and they draw a different inference from that of the learned Judges as to the true meaning of the respondent's behaviour. Further and with all respect to the learned Judges in the Appeal Court they are of opinion that it is a mistake to consider the action of the respondent in approving the risk and his conduct at the interview as if these two matters could separately by excused or explained. They are in truth inseparable from the point of view of the action of Mr. Mody and Mr. Iyer in giving the notice of dismissal. On a review of the whole case their Lordships must come to the conclusion that the learned trial Judge was justified in his view of the facts and in the conclusion at which he arrived.

For the reasons above stated their Lordships are of opinion that the appeal should be allowed, the decree of the Division Bench set aside, and the decree of the trial Judge restored. The respondent will pay to the appellants their costs of the appeal to the Division Bench and of this appeal in addition to the costs awarded by the trial Court. They will humbly advise His Majesty accordingly.

Appeal allowed.

Solicitors for the Appellants—*Messrs. G. F. Turner & Sons.*

Solicitors for the Respondent—*Messrs. T. L. Wilson & Co.*

[PRIVY COUNCIL]

[Appeal from Singapore]

LORDS ATKIN, TOMLIN and THANKERTON

November 14, 1933

MALAYAN TOBACCO DISTRIBUTORS, LTD.

v.

UNITED KINGDOM TOBACCO CO., LTD.

[PRIVY COUNCIL APPEAL No. 96 of 1932]

Passing off action—Brand well-known to customers in Market—Probability of deception—Finding of fraud.

A manufacturer put on the market a brand of cigarettes widely known to consumers by a fancy name. Another manufacturer put on the same market another brand of cigarettes of a different size, appearance and get-up, but which the first mentioned manufacturer alleged were likely to be known by a name which would lead to confusion with the first mentioned brand of cigarettes. The first mentioned manufacturer thereupon brought an action for an injunction and damages. On appeal to the Privy Council.

Held (i) to give a right to relief by way of injunction etc. (a) it must be established that a fancy word has become identified with particular goods, and (b) the Plaintiffs must show that the use by the Defendants of their device is calculated to deceive in the consumer's market.

(ii) In a "*quia timet*" action in the absence of actual evidence of confusion, a strong case must be made to justify a conclusion that confusion will result between the goods of the first Manufacturer and those of the second Manufacturer.

(iii) In this case there was no evidence of confusion.

(iv) It is not open to the Trial Judge to make a finding of fraud, if fraud has not been pleaded and a case of fraud opened.

Appeal from the judgment of the Court of Appeal, Straits Settlements, reported in (1933) 2 M.L.J. 1, *sub nomine The United Kingdom Tobacco Co. (1929) Ltd.* v. *The Malayan Tobacco Distributors Ltd.*

Sir Stafford Cripps, K.C., and *S. E. Bray* for the Appellants.

J. Whitehead and *R. Burrell* for the *Respondents.*

Cur. Ad. Vult.

The Judgment of their Lordships of the Privy Council was delivered by

LORD TOMLIN.—In this appeal the appellants who are the defendants in the action giving rise to the appeal seek to displace a judgment of the Supreme Court of the Straits Settlements affirmed by the Court of Appeal of the Straits Settlements whereby the respondents who are the plaintiffs in the action obtained an injunction against the appellants restraining them from applying the mark or title "twenty-one" in words or "21" in figures or any similar mark, device or title to any cigarettes manufactured by the appellants or to any cigarettes sold by them or to any carton, box, packet or container known as "shell and slide" or other container of or for cigarettes manufactured, imported, stocked, sold or exposed for sale by the appellants, or to any box, packet, label or wrapper used by the appellants in connection with the sale of cigarettes unless such cigarettes be manufactured by the respondents, and from passing off by means of the said name, title or device of "twenty-one" or "21" or any name, mark or title similar thereto, or any other means cigarettes of their own or other manufacture as and for cigarettes of the respondents' manufacture, and whereby also an order was made for the delivery up by the appellants of all offending articles.

Both the appellants and respondents are importers of cigarettes into the Straits Settlements and other parts of Malaya and market, and have marketed numerous brands of cigarettes of different grades, qualities and prices.

The present case is concerned only with sales in the Straits Settlements of cheap grades of cigarettes purchased exclusively by Asiatics of whom approximately 80 per cent. are Chinese-speaking and the remainder mainly Malay-speaking. Most of these customers are unable to read or speak English, though some can recognise English numerals.

The course of business in the case of these cheap grades of cigarettes is as follows:—The importers sell the cigarettes in bulk packed in tins or cartons or packets to dealers, and the latter sell them to coffee-shop keepers and hawkers.

The coffee-shop keepers and hawkers usually offer them for sale to the ultimate consumers loose laid out in trays or plates or in some tin which may be the tin of any brand which the seller has by him. Thus the consumer so buying does not see the tin, carton or packet in which the cigarettes are packed when sold by the importer to the dealer.

In November, 1929, the respondents began to sell cigarettes in tins of 100 which bore a trade mark of crossed swords in gold on a red ground, the words "Golden Sword," and a price indication 2 for 1, meaning thereby two cigarettes for one cent. On the cigarettes themselves there was the trade mark of crossed swords and the numerals 21 printed in red.

The appellants or their predecessors in business had for some years had upon the Straits Settlements market brands of cigarettes made up in containers having as a device a picture by playing cards upon them as, for example, a picture of two aces or four aces.

In May 1931, the appellants put upon the market in question a new brand of cheap cigarettes at the price of two cigarettes for one cent.

These cigarettes were larger and of a lighter colour than the respondents' "Golden Sword" cigarettes. The appellants' cigarettes are fastened by crimping while the respondents' cigarettes were packed in packets of ten. The packet bore a representation of an ace and king of hearts, the hand counting twenty-one in the game of Vingt-et-un and in the corresponding Chinese game of Ban Lak, with the words "twenty-one." The words "twenty-one cigarettes" also appeared in blue upon the cigarettes. The cigarettes were sold to dealers in cartons holding 25 packets. The words "Twenty-one" appeared on the cartons.

The writ was issued on the 2nd June, 1931, so that having regard to the short time which had elapsed between the appearance in the market of the appellants' cigarettes and the issue of the Writ the action was in effect a *quia timet* action.

The respondents have never suggested that there could be any confusion between the ciga-

rettes of the respondents and the cigarettes of the appellants so far as concerns the dealers and the distributors to whom the dealers sell. Such confusion would be impossible having regard to the absence of any resemblances between the containers and the make-up of the containers of the respondents' cigarettes and the containers and make-up of the containers of the appellants cigarettes.

They have however throughout contended that by reason of the user by the respondents of the expression "2 for 1" and the numerals "21" in connection with their goods coupled with the application by the public of the name "Twenty-one" or its equivalent to the respondents' goods and the fact that the goods of the appellants and respondents are usually sold loose and appeal to the same class of customer, the use by the appellants of the name "Twenty-one" upon and in connection with their cigarettes is bound to cause confusion and to lead to the passing off of the appellants' goods as and for the goods of the respondents.

Paragraphs 6, 7 and 8 of the respondents' statement of claim were in the following terms:—

"6. The defendants' said brand has acquired or will acquire in the market the name of 'Twenty One' brand and has been sold or will be sold to dealers and consumers by the description of 'Twenty One' brand.

7. Prior to the introduction of the Defendants' said brand the Defendants were aware or might with reasonable diligence have been aware of the Plaintiffs' said brand and were aware or might with reasonable diligence have been aware that confusion would arise between the said two brands by reason of the same being asked for and sold under the name of 'twenty-one.'

8. The Plaintiffs say that confusion has arisen or will arise by reason of the said two brands of cigarettes being asked for in the same market by the same name and that the use of the number 'Twenty-one' by the Defendants in the circumstances aforesaid is calculated to deceive and to cause the cigarettes manufactured by the Defendants to be passed off as and for cigarettes of the Plaintiffs' manufacture."

The market referred to in these paragraphs was admittedly the market in which the consumer bought and not the market in which the dealer or the retailer bought.

The action came on for trial on the 1st October, 1931. The case was not opened by the respondents' counsel as a case of fraud and indeed it may be doubted whether the statement of claim as drawn would have justified such an opening. Further, no question was put to any witness of the appellants suggesting that fraud was being charged.

Judgment was delivered on the 22nd October, 1931, by Terrell J., who found (1) that the respondents' cigarettes were widely known in the market by the Chinese and Malay equivalent for "twenty-one" and were also to some extent known in English as "twenty-one" (2) that the appellants' "twenty-one" cigarettes were introduced by the appellants with full knowledge that the respondents' cigarettes had acquired that name in the market and with the intention of appropriating the goodwill attached to the respondents' cigarettes under that name; and (3) that the appellants would attract to their cigarettes the Malay or Chinese equivalent of "twenty-one."

Upon these findings the learned Judge granted the injunction, the terms of which have been already indicated.

On appeal this judgment was unanimously affirmed.

With regard to the finding as to the name by which the respondents' cigarettes have become known, the appellants have urged that it was reached (1) without the learned Judges below distinguishing between the body of evidence required to establish that a fancy word has become identified with particular goods and that required to establish that something which is a mere indication of price or quality has become so identified; and (2) without any evidence to support it.

Their Lordships do not think that on either of these grounds the finding ought to be disturbed.

In the first place the learned Judges below appear to have considered the evidence with the distinction between the two classes of mark present in their minds, and further the numerals "21" upon the cigarette might fairly be regarded as a fancy designation rather than as a price indication.

In the second place, although the evidence is slight their Lordships do not think that it can be said there is no evidence upon which the Court could hold that consumers were in the habit of asking for the respondents' cigarettes in their own language as "twenty-one" cigarettes. Indeed the list printed at page 102 of the record which was produced by the appellants shows that the respondents' cigarettes were called in two dialects of Chinese two one (Gee Yit and Yee Yet) and in Malay two one (Dua Satu), and also that in the Cantonese dialect it was also called twenty-one (Yee Sup Yet).

When however the subsequent findings of the Courts below come to be considered it is impossible in their Lordships' view to support them.

There is a finding which amounts to a finding of fraud. This finding was arrived at although in their Lordships' judgment no plea of fraud was properly raised on the pleadings and although

fraud was not opened and no question put to the witnesses to suggest that fraud was being charged.

Further there is in their Lordships' judgment no evidence upon which a finding of fraud could be based.

The learned trial Judge founds himself largely upon an inaccurate statement of the evidence. He states that the "twenty-one" device had been invented by Wee Thiam Siew, the appellants sole selling agent, who had once been an agent of the respondents. Now the only evidence on this point was that of Wee Thiam Kee, the brother of Wee Thiam Siew, who said his brother had invented the device of the two cards, the ace and king of hearts, but he did not know if he had also invented the words "twenty-one." If the respondents had attached any importance to this evidence they could no doubt have obtained leave to further cross-examine Wee Thiam Siew, who had already been in the witness box. They did not do so.

It is remarkable that the man who according to the learned Judge invented the words "twenty-one" with a fraudulent intent neglected in the Chinese advertisements which he issued as the sole selling agent of the appellants ever to use that phrase at all, but always described the cigarettes as "Toh Ong" meaning King or Emperor of peaches, the ace of hearts being supposed by the Chinese to represent a peach.

This finding of fraud necessarily coloured the minds of the Judges when they approached the question whether there was likely to be confusion in the only market in respect of which confusion was alleged to be possible.

This is illustrated by the fact that the trial Judge quoted a passage from a judgment of Lindley, L. J. in *Slazenger* v. *Feltham*, R.P.C. at 538 where he says: "Why should we be astute to say that the defendant cannot succeed in doing that which he is straining every nerve to do."

Their Lordships are therefore of opinion that the finding of fraud cannot stand and that as that finding was the basis of the finding as to the possibility of confusion it is proper for their Lordships themselves to examine and consider the latter question notwithstanding that there are concurrent findings below.

Now it must be borne in mind (1) that the action is in substance a *quia timet* action, as Burton, J. recognised, and that in the absence of evidence of actual confusion a strong case must be made to justify a conclusion that confusion will result from what the appellants are doing; and (2) that the market where alone confusion is alleged to be possible is the market where the consumer buys.

The consumer cannot read English though he may recognise English numerals. He is admittedly quick to recognise differences in any article offered him from the article which he has been accustomed to buy. In the present case the two articles are different in size and colour, and the appellants' cigarette has on it no numeral nor anything which the Asiatic can read.

Assume that the Asiatic sometimes asks in his own language for the respondents' cigarettes as two one or twenty-one, why should he use the same term for the appellants cigarettes?

Only one witness was called by the respondents who could speak of the relevant market, viz., L. M. Abdul Mohamed. He said the respondents' cigarttes were asked for as Dua puloh Satu (i.e. the Malay for twenty-one) and sometimes "two for one" in English and that the appellants cigarettes were asked for as Dua puloh Satu and in English twenty-one. The learned trial Judge treats this witness as giving evidence of actual confusion. The effect of his evidence according to their Lordships' view is that there was no confusion even if the evidence of this witness is to be accepted. The learned Judge also treats the witness Tan Boon Kok as giving evidence of actual confusion. In fact the evidence of this witness only proves that in the market in which the retailer buys there could be no confusion and he does not deal with the market in which the consumer buys.

It is true that in the dealers' and retailers' market orders have sometimes been given referring to the appellants' cigarettes as 21 brand (mark) cigarettes, but as admittedly in this market there can be no confusion it is a fact that does not carry the respondents' case any further.

Giving the best consideration which they can to the materials before them their Lordships reach the conclusion that the respondents have not made out that the use by the appellants of their device is calculated to deceive in the consumers' market.

Their Lordships desire to call attention to the fact that even if the injunction could stand it should not have been granted in its present absolute form but should have been qualified by the addition of some such words as "without clearly distinguishing the goods of the defendants from the goods of the plaintiffs.'

Having regard to the conclusions which their Lordships have reached they think that the appeal should be allowed and that the orders below should be discharged, and that the action should be dismissed, the appellants having their costs here and below.

Their Lordships will humbly advise His Majesty accordingly.

Appeal allowed.

Solicitors for Appellants—*F. F. MacNaghten.*
Solicitors for Respondents—*Walton & Co.*